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Automotive News

December 31, 1990

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Get lean, warns MIT book, but Ford already has

By Lindsay Chappell
AUTOMOTIVE NEWS STAFF REPORTER

ATLANTA — The squeak-and-rattle team at Ford Motor Co.'s Atlanta assembly plant pondered the problem of screws.

Loose screws were falling from workers' shirt pockets onto the carpets of Taurus and Sable models as the cars rolled down the assembly line. A dozen members of the team met recently and — almost as quickly as you can say *kaizen* — solved the problem. A plant shop was asked to sew work aprons with deep side pockets to accommodate the screws.

LEAN NEW WORLD

- Book: Lean is king, Page 26.
- Europeans outdated, Page 27.

This latest example of worker involvement and continuous improvement showed once again why Ford was the one non-Japanese automaker that has already joined the triumphant new world of "lean production," as proclaimed by the authors of an influential new book.

The Atlanta workers seem pleased to have escaped the wrath of the Massachusetts Institute of Technology team that spent five years and $5 million studying the world's auto industry.

The Machine That Changed The World, which preaches a change-or-die message to most of the non-Japanese automotive industry, casts a gentle eye on this 42-year-old plant.

While warning that the West in general and that General Motors, Renault S.A., Fiat Auto S.p.A. and Volkswagen AG in particular are operating under antiquated manufacturing systems, *Machine* suggests that Atlanta — and maybe other Ford plants — aren't doing so badly.

The book declares the imminent death of Henry Ford's "mass production" and its replacement by "lean production," characterized by flexible manufacturing; low inventories; communication with suppliers, workers and distributors; and continuous improvement, known in Japanese as *kaizen*.

Relations with people are central.

"The way things were before, I couldn't have come in here and talked to the plant manager about something I didn't like," explains J.C. Phillips, chairman of the

see LEAN, page 26

Overcapacity blots future for U.S. makers

By Lindsay Chappell
AUTOMOTIVE NEWS STAFF REPORTER

Factory overcapacity continues to darken the U.S. auto industry's immediate future, despite the announced closing of four General Motors plants in November.

North American assembly plants (United States and Canada) shut their doors on 1990 after producing about 11.8 million cars and trucks — shipping below 12 million for the first time since 1983.

Output is down about 1.23 million units from 1986, the U.S. industry's best sales year. Car output has fallen 1.63 million units during the last four years.

On the car side, where the overcapacity has been concentrated, output has fallen 1.6 million units during that same span, to 7,156,449. According to DRI/McGraw Hill, that's a capacity utilization rate of 72.29 percent, compared to 83.7 percent in 1986. In other words, North American car plants can build about 2.74 million more units than they did in 1990.

The current sales downturn exacerbates what industry officials have believed for years to be serious factory overcapacity in North America.

Even companies that are operating plants at full tilt are affected. They must sell products in a market flooded by bold sales promotions and endless factory rebates. For firms carrying too much capacity, profit margins are squeezed as they operate at a higher cost level than sales demand.

Analysts generally welcomed the $2.1 billion GM plant writeoff as a necessary step toward easing the problem, which has been widely blamed for third-quarter operating losses for both GM and Chrysler Corp.

The permanent closing of GM's Framingham, Mass.; Lakewood, Ga.; Leeds, Mo.; and Pontiac, Mich., plants effectively removes 900,000 to 1 million units of car-production capacity from the market, although operations at those

see CAPACITY, page 3

1990 Newsmakers of the Year

A year to remember

Even for those who came out ahead, change was a constant and challenges seemed ubiquitous in 1990. The year's top stories are highlighted in *Automotive News Insight*, which follows Page 14.

Jerry Curry: NHTSA's new boss proves to be a forceful negotiator, gets safety regulations off the dime after years of lethargy, then lashes out at safety activists as fronts for trial lawyers.

Robert Eaton: General Motors Europe president boosts sales and market share, races into Eastern Europe, returns tidy bundle of cash to headquarters to bolster Detroit operations.

Ray Green: NADA's "quiet man" is effective successor to aggressive Ron Tonkin, wins improvements in GM franchise and sets up certification program for salespersons.

Carl Hahn: Opens East Germany even before the government does, wins the race to have Skoda as a production partner, gets an extension to stay at Volkswagen AG past retirement age.

Kirk Kerkorian: Auto industry's newest mystery man adds to turmoil at Chrysler by buying 9.8 percent of common stock for $272 million. But why? Is he a raider or an investor?

Richard G. "Skip" LeFauve: Saturn president gets the car into the showrooms after seven years of hoopla, but production problems hold supply to a trickle and delay test of sales strength.

Robert McCurry: Lashes back at Lee Iacocca, picks up market share for Toyota, introduces the import 10-day sales report to act like the locals, sells a million cars and trucks.

J.C. "Jim" Perkins: Untangles the snarls in the Geo line and makes it a major player in Chevrolet's successful quest to beat Ford and regain first place in car sales.

Robert Stempel: "Car guy" instills new aura of confidence at GM. Makes tough decisions such as writing off plants, giving three-year job guarantees and slashing output to match sales.

Shoichiro Toyoda: The doctor takes personal charge of product development at Toyota, sees his company make big hit with Lexus, announces plan to double capacity at Georgetown.

NEWSPAPER
INS
y at Fuji:
y Industries Ltd. six months ago, President Iacmu Kawai says he has
: assessment" of the beleaguered maker of Subaru vehicles and
about his firm's future. Story on Page 2.

Three of the transplants were unable to keep their factories up to speed in 1990: Mazda's Michigan plant (pictured), Diamond-Star's Illinois plant and Hyundai's Quebec plant. All other transplants operated at overtime, including Toyota's Kentucky Camry plant, which added almost 10 percent to its normal 200,000-unit capacity.

CAPACITY

FROM PAGE 1

plants had already halted.

GM has also indicated it could close plants in Pontiac, Mich.; Scarborough, Ontario; and Lordstown, Ohio — which would delete another 700,000 units of capacity.

But North America still could remain glutted for years.

In the past year, at least 240,000 units of new capacity came on stream at Saturn Corp. Another 110,000 units of capacity came from Ford Motor Co.'s Louisville, Ky., plant. Honda of America Manufacturing Inc.'s plant in East Liberty, Ohio, is ramping up to produce up to 150,000 cars a year.

At least 925,000 units of additional capacity will enter the market in the next two years. A good chunk of that will come from former car plants that either will be replaced by truck plants or will be converted to build trucks.

Another 300,000 to 400,000 units will be added by 1994, led by a new 220,000-unit Toyota Motor Manufacturing U.S.A. Corp. plant that will double U.S. Camry output.

Independent of any plant closings or cutbacks, those plans combined represent new capacity of as many as 1.7 million vehicles between mid-1990 and 1994.

NORTH AMERICAN CAR CAPACITY

(Figures in millions)

	Car capacity	Car output	Percent
1986	10.50	8.79	83.72
1988	10.10	8.13	80.49
1990	9.90	7.16	72.29

SOURCE: DRI/McGraw Hill, Automotive News

Industry officials and market analysts have debated the overcapacity question for years. Estimates of the size of the surplus range from a few hundred thousand units during a healthy sales year to nearly six million units.

Carmakers are loathe to pin down their overall production capabilities, arguing that plant capacity is fluid.

Three unknown factors in the overcapacity equation are how high U.S. vehicle sales will be during the next two to three years, how many older plants might be closed by then and how many vehicles will be exported.

Phil Fricke, first vice president for equity research at Prudential-Bache Capital Funding in New York, predicts exports from U.S. factories will total 440,000 cars and trucks by 1994, compared to about 250,000 in 1990.

Fricke believes capacity is less a threat than the industry fears.

"A lot of analysts fail to separate the capacity question into market segments," he says. "Adding a truck plant doesn't worsen the car capacity situation."

Fricke argues that GM's plant closings, along with political pressures on the Japanese and a number of Big 3 plants shifting from car to truck output will result in an equilibrium in the next two years.

Few analysts appear as optimistic as Fricke. More typical is the view that some makers will get burned by the plethora of auto plants and will close them.

Numerous plants are under-utilized. More than 30 Big 3 plants were idled for part of the fourth quarter, and 28 closed early for the holiday shutdown.

Detroit now has more flexibility in eliminating capacity if necessary. This year's UAW contract negotiations produced agreements that give manufacturers the freedom to close plants permanently.

UAW negotiations with Chrysler produced an agreement that will allow the union to try its first three-shift schedule at Chrysler's St. Louis minivan plant. The move expands the plant's capacity by 50,000 units a year — without using brick or mortar.

Transplants' output continues to grow

By Lindsay Chappell
AUTOMOTIVE NEWS STAFF REPORTER

No new Asian transplant auto factory opened in North America in 1990 — a news event in itself, considering that 12 opened during the previous eight years.

Yet the group's combined output continued to climb. Plans for a 13th Asian transplant factory were announced, while several of the existing plants operated overtime to stretch capacity.

The Asian transplants built 400,000 more vehicles in North America this year than last year. By comparison, the Big 3 built 1.46 million fewer than in 1989.

As the year ended, the 11 Japanese and one Korean transplant operations in the United States and Canada had produced 1.79 million cars and trucks.

According to plans, the same 12 factories will build as many as 2 million vehicles in 1991 — still without reaching their full existing capacity of 2.26 million annually.

This year, factories owned by the two largest transplants — Honda of America Manufacturing Inc. and Toyota Motor Manufacturing U.S.A. Inc. — had output that exceeded straight capacity.

Honda's Marysville, Ohio, plant built more than 380,000 cars, at least 20,000 more than the plant's stated 360,000-unit capacity. Honda of Canada Manufacturing Inc.'s Alliston, Ontario, plant yielded more than 100,000 cars this year, or at least 10,000 more than its stated capacity.

Toyota's Camry plant in Georgetown, Ky., was expected to produce 218,000 cars in 1990 — 18,000 more than its listed capacity.

Toyota will double its Camry capacity by building a second 200,000-unit-a-year factory.

Honda opened a Civic plant in East Liberty, Ohio, in December 1989. The new plant made it possible for Honda's Marysville plant to expand Accord production from about 230,000 in 1989 to nearly 330,000 in 1990.

One new transplant vehicle line will come on stream next September when Toyota begins building pickups at New United Motor Manufacturing Inc. in Fremont, Calif. That line will give Toyota capacity for another 100,000 vehicles a year.

Two other transplant factory projects will remain under construction in 1991. Nissan Motor Manufacturing Corp. U.S.A. will complete its project to double the 240,000-unit capacity of its Smyrna, Tenn., plant in 1992. A joint project between Nissan and Ford Motor Co. under construction in Avon Lake, Ohio, also will not begin production until 1992.

When all existing projects are up and running, the transplants will have combined capacity in North America of 3 million units a year.

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How analysts see capacity:

So long, glut

Fricke

Philip Fricke, first vice president of equity research, Prudential-Bache Capital Funding: *The overcapacity problem will be solved.*

Fricke believes the clouds of costly overcapacity that threaten the industry are rapidly fading.

"I think North America is coming into equilibrium over the next two years," he says. "From 1995 to 2000, the industry will need at least 500,000 more units of capacity than it now has."

Rising transplant production in North America is reducing the flow of Asian imports, he says. While total transplant production in Canada and the United States rose to 1.75 million vehicles in 1990, Fricke predicts Japanese imports will drop to about 1.7 million units annually by 1992. He argues that the Japanese are "too sensitive to political pressures" to import their quota of 2.3 million units a year.

He predicts U.S. car sales by transplants will rise by another 500,000 units a year by the early 1990s, arguing that even at that level, total U.S. transplant sales will reach 1.7 million at the most.

Transplant production and imports combined limit the Japanese share of the U.S. market to 3.3 or 3.4 million by 1992, he calculates. Should U.S. car sales return to the 11 million units a year level, the scenario could spell *undercapacity* for the Big 3, he suggests.

Trouble for everyone

Pitcoff

Joel Pitcoff, manager of research and analysis, Ford Motor Co.: *If the overcapacity problem were solved, do you think dealers would still be offering $1,000 rebates on new cars?*

This year, the Big 3 slashed North American factory production to stay in line with falling industry sales. In Ford's case, 1990 car output was down by nearly 500,000 units from 1989.

Pitcoff believes the North American industry is still grossly over-capacitized.

"It's going to take more than GM giving last rites to a few factories to get us out of this situation. It's arguable that four of the plants GM is closing weren't even part of the problem, since they had already ceased production."

Pitcoff believes that the Japanese, as well as the Big 3, face overcapacity problems. He points at Nissan Motor Co.'s failure to increase U.S. market share this year, despite being in the process of doubling its North American plant capacity.

Several transplants also operated under capacity this year.

"The argument has been made that every new unit of transplant capacity that comes on line takes one unit of sales out of the hide of the Big 3," Pitcoff comments. "You can't assume that. There's fairly intense competition among the Japanese themselves."

Too many trucks

Campbell

Bernard Campbell, director of automotive analysis, DRI/McGraw Hill: *We believe the light-truck market is headed for a problem.*

Campbell believes that overcapacity has been spread unevenly across market segments. As a result, he suggests, the Big 3 have been spared some pain.

The light-truck market has been the least over-capacitized so far, he says. And light trucks have been a key profit center for the Big 3.

But that is changing. Ford, GM and Chrysler are all converting car plants to truck plants. Other plants are adding truck capacity, including Ford's Louisville plant, Isuzu Motors Ltd.'s joint-venture plant in Lafayette, Ind., Toyota Motor Co.'s joint-venture plant in Fremont, Calif., and probably Nissan Motor Manufacturing U.S.A. Corp.'s plant in Smyrna, Tenn.

"Light truck capacity has looked very good historically. But the combination of this new capacity in the next few years, plus a slowdown in the growth of truck sales indicates a utilization problem."

Campbell predicts truck sales will continue growing, but at a slower rate than in the 1980s.

He notes that manufacturers have plans to increase North American sport-utility capacity by 60 percent in coming years. "We see that segment being particularly under-utilized by 1993 to 1994."

Relief from overseas

Swonk

Diane Swonk, regional economist, First Chicago Corp.: *Changing situations around the world are helping alleviate North American overcapacity.*

Diane Swonk looks at the big picture when analyzing the auto industry's overcapacity outlook.

Her premise is that manufacturing capacity remains out of line with current sales. But her observation is that the fluid world of market pressures is slowly but surely correcting it.

One factor is the continuing improvement in foreign economies. As standards of living rise in Asian and East European nations, increasing personal consumption levels will require more automotive production. That means that U.S. factories will have more opportunities to export excess capacity, she argues, and offshore factories will be less intent on shipping to North America.

The opening of East Bloc nations to European makers in the past 18 months should remove much of Europe's excess plant space, she suggests.

Another factor is what Swonk believes will be a 1990s shift away from consumption spending in the United States and more toward investment spending. That will mean lower or stagnant U.S. car sales, but it will create a better industrial base for exporting, she predicts.

— Lindsay Chappell

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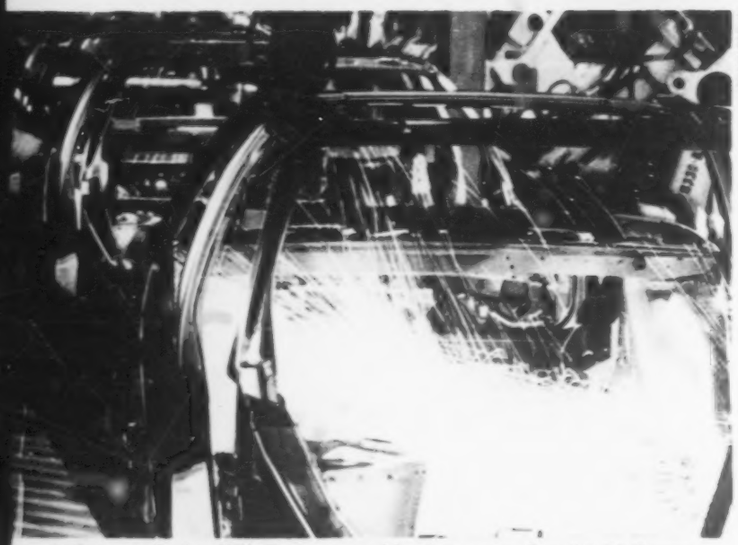

JOE WILSSENS

At Saturn's Spring Hill, Tenn., assembly plant, more than 200 GMFanuc robots apply welds to fashion the cars' space frames from stamped parts. The space frame provides the skeleton to which plastic body panels are attached.

DEPARTMENTS

Al Fleming **12i**

FEATURES

The Birth of Saturn **4i**
The Story of the Year was GM's Saturn Corp., which finally brought cars to market Oct. 25 after 7 years of preparation

The Good, the Bad and the Ugly **8i**
1990 was a year of distinction — both positive and negative — for many and especially for Geo and for Volvo

A Kaleidoscopic Look Back **10i**
From advertising to manufacturing to warranties, change seemed to be the constant for the automotive industry this year

Cover photograph by Joe Wilssens

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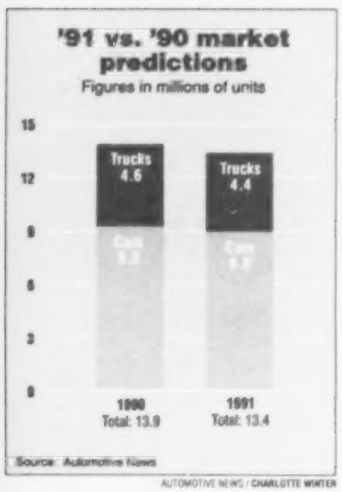
INSIGHTS



AUTOMOTIVE NEWS / CHARLOTTE WINTER

STAFF SEES DECLINE: New-car sales in the United States will decline by 310,000 units in calendar year 1991, and light-truck sales will drop by 210,000 units. That is how the *Automotive News* editorial staff sizes up next year's market. Twenty-nine reporters and editors participated in the survey.

TRUCKS DROP MOST: The overall 1991 tally will be 13,403,000 car and truck sales, according to the staff's projection. That would be down 3.73 percent from the 13,923,000 expected this year. The average of estimates is 8,970,000 car sales in 1991, a dip of 3.34 percent from this year's anticipated 9,280,000, and 4,433,000 truck sales in 1991, a decline of 4.52 percent from 1990's anticipated 4,643,000.

IMPORTS DIP DEEPER THAN DOMESTICS: The staff's 1991 forecast includes 5.4 million sales of Big 3 domestic cars, down 5.15 percent from the 5,693,000 expected for 1990, and 2,270,000 imports, a dip of 8.80 percent from this year's 2,489,000.

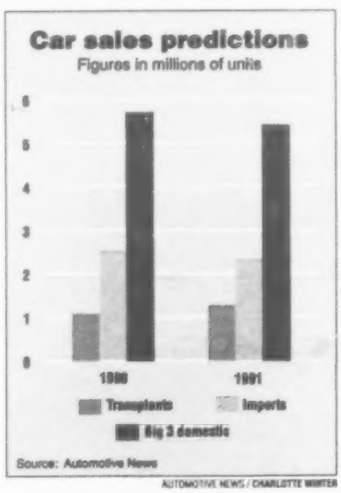
TRANSPLANTS SOAR: The third element in the car sales picture is slated for a major increase in the coming year, the *Automotive News* staff predicts. Sales of cars made by transplant and joint-venture companies are expected to climb to 1,300,000, up 18.40 percent over the 1,098,000 projected for 1990.

HIT OR MISS FORECASTING: The *Automotive News* staff did a so-so job of estimating 1990 car sales. At this time last year, it predicted 9,578,000 cars would be sold. The projection was off 3.11 percent from the anticipated figure of 9,280,000. The staff overestimated Big 3 domestic car sales by 5.09 percent and imports by 6.79 percent, but greatly underestimated transplant and joint-venture sales by 16.28 percent. But they were only off on the high side by 1.63 percent in combined Big 3 domestic and transplant sales.

TRUCKS R US: The *Automotive News* staff was practically clairvoyant in guessing the 1990 truck market, though. A year ago, the staff predicted sales of 4,641,812 light trucks in 1990. That is only 0.03 percent and 1,188 units shy of the 4,643,000 units now projected.

DEALERS MORE UPBEAT: While also forecasting a market decline, the National Automobile Dealers Association sees a brighter 12 months ahead than *Automotive News* does. The dealer association forecasts new-vehicle sales for 1991 will total 13.8 million units, comprised of 9.35 million new cars and 4.45 millions vans and light-duty trucks.

NADA SEES SMALL UP, BIG DOWN: NADA analysts say fears of escalating gasoline prices will produce market-share gains in the high-end of the small-car segment next year. Mid-sized vehicles will not experience a market-share decrease, according to NADA, but there will be some joint ventures in vehicle production among manufacturers. Large-vehicle share of market will continue to decline because of higher gas prices and changing population demographics.



AUTOMOTIVE NEWS / CHARLOTTE WINTER

TAXING SITUATIONS TO HURT MAKERS: Despite the luxury segment's sales increase in 1990, NADA says the coming year could see a downturn in that market as a result of the 10 percent luxury tax on vehicles selling above $30,000, the doubling of the gas-guzzler tax and tax boosts for high-income households. Light-duty trucks and vans will feel the squeeze of decreased 1991 sales due to higher gas prices and a slow economy.

CRUNCH TIME FOR CREDIT: NADA also sees a lending crunch occurring in 1991, as finance companies tighten credit and demand larger down-payments from customers. The crunch may make it difficult for consumers to finance new vehicles to replace those bought in 1985 to 1986, since most of those vehicles will be paid off in 1991. "Even though we forecast a mild recession for fourth-quarter 1990 and first-quarter 1991, we don't believe it will cause a big fall-off in auto and light-truck sales," says Tom Webb, NADA chief economist.

USED POPULARITY: Used vehicles tell a different story. In 1991 a record 15 million units will be sold, NADA says. The figure represents a 5-percent increase over 1990. Automaker buy-back programs and the surge of "nearly new" auction program and off-lease cars are the reasons for the increase. Today's used-vehicle department generates 25 percent of dealership operating profit, according to NADA.

U.S. AUTOMOTIVE TRADE

(x $1,000)

Passenger cars and light trucks (up to 10,000 lbs. gvw)

Country	Trade	Aug. 1989	Aug. 1990	Annualized trade Sept. 1988-Aug. 1989	Annualized trade Sept. 1989-Aug. 1990
Japan	from U.S.	$ 10,340	$ 34,915	$ 503,169	$ 490,119
	to U.S.	1,595,741	1,667,106	20,538,370	19,268,134
Canada	from U.S.	429,100	436,144	6,537,486	6,440,707
	to U.S.	781,769	769,252	12,721,385	13,471,205
West Germany	to U.S.	333,157	488,526	5,531,324	5,678,703
South Korea	to U.S.	63,756	87,066	2,075,642	1,070,393
Sweden	to U.S.	35,183	25,407	1,785,737	1,575,495
Mexico	to U.S.	77,124	252,116	1,377,353	1,385,309
Yugoslavia	to U.S.	0	0	14,905	3,891
United Kingdom	to U.S.	58,304	35,009	949,195	874,092
Italy	to U.S.	31,647	21,519	238,315	264,513
France	to U.S.	881	1,028	98,509	15,742
Brazil	to U.S.	42,784	24	284,913	133,441
Others	from U.S.	97,839	115,237	2,456,658	2,663,266
	to U.S.	12,787	61,749	383,238	543,372
Car and truck total	from U.S.	680,989	670,269	11,353,358	11,300,892
	to U.S.	3,542,042	3,977,929	54,175,833	52,186,347
VEHICLE TRADE BALANCE		(2,861,053)	(3,307,660)	(42,822,475)	(40,885,455)
Car total	from U.S.	537,279	586,295	9,497,316	9,594,092
	to U.S.	3,033,127	3,481,804	46,298,887	44,284,290
CAR TRADE BALANCE		(2,495,848)	(2,895,509)	(36,801,571)	(34,690,198)
Truck total	from U.S.	143,710	83,974	1,856,042	1,706,800
	to U.S.	508,915	496,125	7,876,946	7,902,057
TRUCK TRADE BALANCE		(365,205)	(412,151)	(6,020,904)	(6,195,257)
TOTAL U.S. Merchandise trade	from U.S.	30,181,100	32,633,300	353,010,300	383,471,400
	to U.S.	40,509,200	41,969,600	465,318,200	483,634,400
TRADE BALANCE		(10,328,100)	(9,603,300)	(112,307,900)	(100,163,000)

Auto trade deficit climbs 16%

WASHINGTON — The U.S. automotive trade deficit in cars and light trucks increased 16 percent in August as exports declined and imports surged.

Statistics released by the U.S. International Trade Commission show the automotive trade deficit was $3.31 billion in August compared with $2.86 billion in August 1989.

Imported vehicles were valued at $3.98 billion for the month, while the value of exports was $670 million.

Large increases in car-truck shipments to the United States were chalked up during August by Germany, South Korea and Mexico. Germany increased its value of exports 46.6 percent, and Korean shipments rose 36.6 percent. Mexican exports, which now include the new Ford Escort and Mercury Tracer, increased 226.9 percent.

Japan registered a 4.5 percent increase in its value of automotive shipments, while French imports were up 16.7 percent from a relatively small base.

The value of U.S. exports to Japan increased 237.7 percent for the month, but that export growth was offset by a 1.6 percent drop in the value of automotive shipments to Canada, the largest market by far for U.S.-built cars. The value of automotive shipments to countries designated as "others" by the U.S. Commerce Department increased 17.8 percent during August.

For the 12-month period ended in August, the annualized automotive trade deficit fell to $40.88 billion, a 4.5 percent dip.

TOYOTA

FROM PAGE 4

tional pickups) it would definitely trigger trade tension," says Jesse Snyder, director of product analysis for AutoPacific Group Inc. in Santa Ana, Calif.

"Toyota could do a lot of other things that are a lot less risky to increase its market share," Snyder says. "If you build more cars here, you look like you're becoming more American. If you build big trucks, that's a lot more threatening."

Robert McCurry, Toyota Motor Sales executive vice president, is pushing for the truck. He says the domestics have nothing to worry about and, therefore, it's not a political decision. "We're never going to hurt GM or Ford with big trucks; they own it. Our goal is to give (Toyota buyers) something to move up into," he says.

McCurry admits that for a Japan-based company, anti-Japanese and protectionist sentiments are a part of doing business in the United States. "As long as there is a place called Washington, D.C., it'll be an issue," he adds.

In the last six months alone, Toyota has been targeted by Texas financier and Japan critic T. Boone Pickens, a group of congressmen organized by a former Toyota distributor and an organization of building trade unions in the Midwest.

> "We're never going to hurt GM or Ford with big trucks; they own it."
>
> **Robert McCurry**
> Toyota Motor Sales

In the distributor case, 32 congressional representatives and former Sen. Birch Bayh, D-Ind., rallied behind independent distributor Mid-Atlantic Toyota in its unsuccessful attempt to stop Toyota from taking over vehicle distribution in its five-state region.

As for Pickens, he has expanded his fight to get on the board of Toyota supplier Koito Manufacturing Co. into a crusade against the Japanese cartel-like *keiretsu* system.

He established and advertised a Fair Trade Hotline last September and asked like-minded Americans to call and send telegrams to Yuki Togo, president of Toyota Motor Sales U.S.A.; U.S. Trade Representative Carla Hills; and Japan's ambassador to the United States.

During a three-week period, Western Union received 7,076 calls over the hotline. For each call, Western Union sent a Pickens-authored telegram to Togo, Hills and the ambassador.

Earlier this month, a group of building trade unions in the Midwest banded together to evaluate the impact the Japanese transplant facilities are having on the economy of the Midwest.

COMING EVENTS

Auto shows

Jan. 3-6 — Auto Expo — Northern New Jersey's International New Car Show, Meadowlands Convention Center, Secaucus, N.J., (516) 368-8000

Jan. 4-6 — Greater New Orleans International Auto Show Sale, New Orleans Convention Center, New Orleans, (504) 831-8863

Jan. 5-13 — Delaware Valley's Philadelphia International Auto Show, Philadelphia Convention Center, Philadelphia, (215) 985-0012

Jan. 5-13 — Greater Los Angeles Auto Show, Los Angeles Convention Center, Los Angeles, (213) 444-5965

Jan. 9-13 — Greater Toledo Auto Show, Seagate Center, Toledo, Ohio, (419) 843-2611

Jan. 10-20 — Montreal International Auto Show Ltd., Olympic Stadium, Montreal, (514) 331-6571

Jan. 11-13 — Baton Rouge International Auto Show, Baton Rouge Riverside Centroplex, Baton Rouge, La., (504) 831-8863

Jan. 11-13 — Greater Little Rock Auto Show, State House Convention Center, Little Rock, Ark., (501) 372-2596

Jan. 11-13 — Central Indiana RV and Camping Show, Indiana State Fairgrounds, Indianapolis, (800) 837-7842

Jan. 12-20 — Baltimore International Auto Show, Baltimore Convention Center and Festival Hall, Baltimore, (301) 261-1717

Jan. 12-20 — North American International Auto Show, Cobo Center, Detroit, (313) 643-0250

Jan 12-22 — Baltimore International Auto Show, Baltimore Convention Center & Festival Hall, Baltimore, (301) 385-1800

Jan. 16-20 — Greater Kansas City Auto Show, Bartle Hall, Kansas City, Mo., (913) 345-8970

Jan. 17-20 — Utah Auto Show, Salt Palace, Salt Lake City, (801) 484-8845

Jan. 18-27 — Pacific International Auto Show, B.C. Place Stadium, Vancouver, British Columbia, (604) 294-8330

Jan. 19-27 — Pennsylvania International Auto Show, State Farm Show Complex, Harrisburg, Pa., (717) 652-4053

Jan. 22-27 — Greater Metro Portland International Auto Show, Portland Convention Center, Portland, Ore., (503) 233-5044

Jan. 23-27 — Fort Wayne Auto Show, Allen County Memorial Coliseum, Fort Wayne, Ind., (219) 486-0297

Jan. 26-Feb. 3 — Houston Auto Show, Astro Hall, Houston, (213) 444-5202

Jan. 30-Feb. 3 — Greater St. Louis International Auto Show, Cervantes Convention & Exhibition Center, St. Louis, (314) 822-0333

Jan. 30-Feb. 3 — Ottawa-Hull International Auto Show, Ottawa Congress Center, Ottawa

Jan. 31-Feb. 3 — Fort Wayne RV and Camping Show, Allen County War Memorial Coliseum, Fort Wayne, Ind., (800) 837-7842

Feb. 2-10 — Auto Show '91, Veterans Memorial, Columbus, Ohio, (614) 237-1903

Feb. 6-10 — Syracuse Auto Show, Onondaga County War Memorial, Syracuse, N.Y., (315) 474-1041

Feb. 7-10 — York Auto Show, York, Pa., (800) 345-1487

Nissan delays decision on Seattle store

CARSON, Calif. — Nissan Motor Corp. in U.S.A. has postponed until mid-January a decision on whether to add an 11th dealer in the greater Seattle market.

Nearby Seattle dealers have asked Nissan not to add the point and have presented their arguments before the company's Policy Review Board.

Nissan was scheduled to rule on the issue Dec. 20, but asked for an extension to mid-January. The Policy Review Board, headed by Jerry Butts, Nissan vice president for parts and service, has asked both Nissan and the dealers to submit current data on sales and penetration in Seattle.

— Kristine Stiven Breese

MAZDA

FROM PAGE 2

viced, a release switch on the cruise control of the Luce, which is sold in the United States as the 929. None of the faulty 929s was exported to North America or Europe.

The faulty switch could increase the distance required to stop and could mean that the brake lamp would not light.

But after the *Asahi* reports gained wider publicity, the company announced a recall Dec. 25, the day the ministry delivered its second warning. A Mazda spokesman said the defects were not related to safety and added that it is often difficult to determine which defect should be posted in a recall.

Mazda says it acted in good faith, but says it will thoroughly review its recall system. Mazda President Norimasa Furuta, through a video linkup with all of Mazda's Japanese facilities, urged all employees to "reflect on our work" and to accept the rebuke modestly and sincerely, with an eye toward improving customer satisfaction.

Furuta

A year ago, the Ministry of Transport delivered a similar warning to Toyota Motor Corp., which had made repairs on a part affecting 200,000 units of the 4S-FI engine without announcing a recall. The engine was used in several car lines, including the Celica, Corolla and Mark II, which is sold in the United States as the Cressida.

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Automotive News

January 7, 1991

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Nissan sacks its distributor in Britain

By Daniel Ward
STAFF CORRESPONDENT

LONDON — Nissan U.K. Ltd., the privately owned importer and distributor of Nissan vehicles in Britain, said Friday that it was preparing a suit of at least £250 million (about $485 million) against the carmaker for what it called an "invalid" decision to cancel its franchise.

Nissan, by far the best-selling Japanese marque in Britain, sacked the distributor shortly after Christmas after a long-simmering dispute between the two over pricing and marketing strategy.

In a brief message transmitted to the importer by telefax, Nissan Motor Co. said it believed that "the basis of trust essential to a trading relationship is no longer present."

Barring a victory for Nissan U.K. in the courts, the franchise will be discontinued at the end of 1991.

In a letter delivered Friday, Nissan U.K. attorneys told the Japanese automaker that it was commencing legal action. "We must make it clear that there are no grounds entitling you to terminate the agreement and, therefore, your purported notice is both invalid and of no effect," the letter said.

A spokesman for the importer said Nissan U.K.'s planned legal action against the carmaker would, at the minimum, "take account of the investment of some £250 million which has been made at Nissan's request, and the substantial market share and sales built up in Britain since the agreement was entered into in 1971."

220 dealers cut off

The Christmas firing stunned industry circles here. It effectively severs more than half of Nissan's retail-distribution arm in Britain and means that it must start building a fully-owned network from scratch.

Nissan U.K., founded and controlled by reclusive German-born entrepreneur Octav Botnar, owns or has financial ties to some 220 dealers out of a total of 400 that sell Nissans in Britain. It distributes cars to all 400.

Nissan sold an estimated 100,000 cars in Britain last year, down from nearly 140,000 in 1989. Wholly independent dealers, who received their cars from Nissan U.K., accounted for about half of total sales. Beginning in 1992, they would have to get cars from Nissan U.K.'s successor.

Since its founding, Botnar has

see NISSAN, page 37

Mercedes to show off concept car

A highlight of the North American International Auto Show, which opens this Saturday in Detroit, will be Mercedes-Benz AG's F100 van-like concept vehicle. Mercedes-Benz officials, pooh-poohing rumors in Europe that the show would be used to announce a decision to build a minivan, said response to the F100 would "help" the automaker decide whether or not to add a minivan to its range in the 1990s. But any production van would bear only passing resemblance to the glassy F100 showpiece, they cautioned. The five-passenger car features a center seating position for the driver and a design for improved visibility and safety in side-impact collisions. See Page 2 for coverage of the Greater Los Angeles Auto Show and Page 4 for a preview of the Detroit show.

1990 another downer for industry

Sales fall below 14 million

By Kathy Jackson
AUTOMOTIVE NEWS STAFF REPORTER

Total light-vehicle sales in the United States in 1990 declined 4.8 percent to 13,842,338 cars and light-trucks.

New-car sales lagged 1989 figures by 510,060 units. Chrysler Corp. held on to third place, outperforming American Honda by 5,955 units.

Chevrolet regained first place in divisional car sales with an edge of 42,947 over Ford Division. Overall, new-car sales totaled 9,261,793, down 5.2 percent; 4,580,545 trucks were sold, a 4 percent decline.

The Big 3 sold 6,113,420 cars for a 66 percent share of the car market, a loss of 1.9 percentage points. Their share of the light-truck market fell from 85 percent to 83.7 percent.

General Motors' share of the car and truck market rose 0.5 percentage points; Ford's fell 0.6 percentage points, and Chrysler's dropped 1.5 points.

Toyota's share, including Lexus, rose 1.1 points while Honda's share, including Acura, rose 0.8 percentage points.

As a group, the Japanese makers were the big winners picking up 2.3 percentage points in the car market and 1.2 percentage points in truck sales.

See 1990 sales table, Page 33

Production plummets 11%; lowest output since 1983

By Anne E. Wright
CHIEF STATISTICIAN

Car and truck production in the United States last year was the lowest since recession-wracked 1983.

U.S. manufacturers built 9,878,461 cars and trucks in 1990, down 11.17 percent from the 11,120,912 produced in 1989.

Last year's car production was 6,075,331, down 11.05 percent from 1989. Truck output was 3,803,130, down 11.37 percent.

The Big 3 car production dropped 16.52 percent in 1990 while production by transplant manufacturers increased 16.14 percent. The Big 3 built 4.76 million cars, down from 5.70 million in 1989. Transplants, on the other hand, rose to 1.32 million from 1.13 million in 1989.

U.S. car production for the final quarter of 1990 was 1,435,753, the lowest total for that period since 1982 when 1,203,660 cars were built.

Fourth-quarter car output dipped 12.12 percent from 1,633,710 in 1989.

December's car build of 336,624 was the lowest for that month since 1951 when 284,837 cars were built.

Last month's car production dropped 21.84 percent from the 430,666 built in 1989.

see PRODUCTION, page 39

NEW GUY IN TOWN

Clark Vitulli joined a changing Mazda; Here's how a Chrysler pro from Detroit is shaping an importer on the coast

By David Versical
NATIONAL EDITOR

IRVINE, Calif. — On a Saturday afternoon in September 1989, Yoshi Taura stepped into the Irvine Marriott Hotel to meet yet another candidate for the job of chief operating officer of Mazda Motor of America Inc.

The prospect, a 43-year-old Chrysler Corp. middle manager named Clark Vitulli, had been a reluctant recruit. He had initially brushed off calls from Mazda's headhunter. And he wasn't going to miss work for a job interview. Thus the Saturday afternoon appointment with Mazda's U.S. president.

Vitulli, content as Chrysler Divi-'on' [illegible] anager, [illegible]ose by [illegible]iura, [illegible]ucial [illegible]ency. [illegible]epa- [illegible]as in the Eastern and Western United States, Mazda was in no shape to fight modern auto wars. Taura, commander-in-chief of the consolidated company, needed a strong American general to lead it.

In Vitulli, Taura would look for a veteran sales and marketing man to transfuse the lessons and experience of 20 years in Detroit into a reborn importer. The candidate, seasoned through Chrysler's struggles for survival and its internal squabbles, would be in charge of harmonizing what had been two distinct Mazda cultures.

Vitulli would be going from an established automaker — marketing-strong and product-weak — to an importer with potent products and a nascent sense of how to promote them. There would be no small irony in the prospect of a Lee Iacocca disciple and believer pitching products for the Japanese.

Taura had been part of a team that had studied Mazda's prospects for entering the U.S. market 20 years before.

Now, the company could realize Taura's vision for the future. He saw American consumers admiring virtually everything connected with the name Honda. By the end of the century, Taura wanted them to hold that same respect for Mazda.

Before that, he wanted to reach the half-million sales mark. A stream of new products, arriving at the start of the 1992 model year, would make that possible. But only

see MAZDA, page 34

JAVIER MENDOZA

Clark Vitulli, right, with fellow executives Tetsujiro Nagamitsu, center, and Nariaki Yamamoto. Vitulli is trying to foster a creative vision inside Mazda. "I want to show people that we can make mistakes. If you can make mistakes, you will get fresh thinking."

Chrysler expands electric van project

Utilities will try to leap high hurdles of cost, low range

By Jack Keebler
AUTOMOTIVE NEWS STAFF REPORTER

Chrysler Corp. has teamed up with the electric utility industry to begin engineering an electric minivan "for possible commercial production," said Francois Castaing, Chrysler's vice president of vehicle engineering.

Castaing announced the $10 million engineering and development program Friday at the Greater Los Angeles Auto Show. The vehicle is not likely to see production before 1995.

Castaing conceded that Chrysler hasn't overcome the big hurdles. "The current state of battery technology has not yet achieved success against two of our greatest technological concerns — initial high cost and limited range," he said.

Chrysler's partner in the 28-month joint effort is the Electric Power Research Institute of Palo Alto, Calif., which manages technical research and development programs for the electric utility industry. Some 660 utilities are members of the institute.

The institute will be responsible for trying to overcome the two great barriers to an economic electric vehicle: developing a battery-supply source and a recharging infrastructure. For this contract, the institute will be partially funded by Southern California Edison, which displayed a concept version of the Chrysler TE van at the Los Angeles auto show.

Volkswagen of America Inc. also displayed an "experimental" electric vehicle at the show.

Last year, General Motors made big news at Los Angeles with its introduction of the Impact electric car, which GM says is slated for eventual production. Los Angeles is a hot spot of interest in electric cars because its thick air pollution has prompted government officials to require some non-polluting cars in the late 1990s.

Arnold Fickett, vice president of the Customer Systems Division of the Electric Power Research Institute, said the engineering phase of the Chrysler program will involve building six vehicles. A first phase yielded four jointly produced

see ELECTRIC, page 37

HOW ELECTRIC COMPARES TO GAS

Specifications are for electric TE van and a 1991 Voyager with 2.5-liter engine, automatic, fwd

	TE Van	Gas
Wheelbase (inches)	112	112
Capacity (persons)	8	8
Peak horsepower	65	100
0-30 mph (seconds)	9	7
0-60 mph (seconds)	25	18
Range (miles)	120	500

Source: Chrysler Corp.

5 Ford dealers to test rental-car sales plan

By Laura Clark
AUTOMOTIVE NEWS STAFF REPORTER

DEARBORN, Mich. — Ford Motor Co. this year will test a used-car marketing concept for former daily rental cars in five of its dealerships. The plan is designed to expand Ford's presence in the used-car market without reducing its new-car sales.

Ford Division General Manager Thomas Wagner said the test program will require a dealer to establish a separate lot away from his new-car showroom and existing used-car lot to sell the former daily rental cars. Ford is concerned that if consumers see new cars sitting next to low-mileage, less-expensive former rental cars of the same model year, new-car sales will suffer.

"We're doing a lot of research to see if the substitution (of used cars for new cars) is lower when they're on a separate lot," Wagner said last week.

"If the lot where former rental cars are sold is away from the new-car lot or showroom, we think that they (the shoppers) will be mostly used-car buyers. The Avis and Hertz lots attracted mostly used-car buyers," Wagner said.

Three Ford Division and two Lincoln-Mercury Division dealers will be involved in the test. Ford has not chosen the dealers, but Wagner said that they and any other dealers using the program in the future must have high customer satisfaction index ratings on the company's in-house system.

Ford announced in June 1990 that it will buy back the cars it sells to daily rental companies in the 1991 model year. Those cars, called program cars, will be put through auctions so Ford and L-M dealers can buy them for their retail operations.

The only exceptions to the buyback program are the 1991 Ford Festiva and 1992 Crown Victoria and the 1991 Mercury Capri and 1992 Grand Marquis.

Ford's June announcement followed a similar announcement by General Motors.

Ford officials estimate that the buyback program will put 100,000 more Ford cars and trucks through the auctions annually. Ford sold 160,000 to 170,000 rental cars through its factory-sponsored auctions in the 1990 model year.

Wagner said dealers have been concerned about the implications of the new program. Ford has agreed that a dealer can set up a lot for a program cars, but only within the dealer's franchised sales territory. Only franchised Ford and L-M dealers will be included in the program.

"Usually when they hear that other dealers can't set up a (program-car) lot right across the street from their store, the concerns go away," said Wagner.

But some dealers aren't fond of the idea and have nicknamed the program "Uncle Henry's Used Cars," according to a member of the L-M dealer council.

Wagner declined to comment on the nickname.

Wagner emphasized that the test is not a separate franchise, but a marketing plan. There is no fee to participate. If it is successful, Ford will begin selecting other dealers to participate in the program-car marketing plan nationwide.

HEIDI BRADNER

At a private used car lot in Prague, Czechoslovakia, Wojciech Korybalski checks out a '75 FSO 125, a Fiat derivative from Poland, priced at 21,000 koruna, or about $700 at the official exchange rate.

CZECH-ING OUT CAPITALISM

New freedoms bring opportunity for freestyle car sellers

By Mary Beth Christie
SPECIAL CORRESPONDENT

BRATISLAVA, Czechoslovakia — Two short years ago, "Martin," who quite rationally insists on anonymity, would have been packed off to have his attitude readjusted for trying to sell the Ford Country Squire wagon that he has parked, unobtrusively to be sure, in a line of Skodas on Fucikova Street here.

Still, everything is relative: 10 years ago, he might have been shot as a "profiteer."

But this is Czechoslovakia in the full flush of its post-*Glasnost* freedoms, and such unfortunate impediments to commerce have become as unheard of here as Communist Party membership books. While street vendors of Country Squires and other symbols of capitalist excess know they still have to be *careful*, they also know they are at least peddling wares that have official-dom's sanction.

The new freedoms have spelled opportunity to quick young people like Martin, a university student who has become a used-car dealer without a dealership. Or a license, for that matter.

In the past six months, Martin says, he has imported six American cars and five bicycles into Czechoslovakia and sold them quickly for what he calls tidy profits to people who have somehow accumulated hard currency.

Already, in the best capitalist fashion, Martin is thinking bigger. "I want to build a new company in Czechoslovakia," he says, casting a salesman's eye over passersby near his Country Squire, fishing for a glint of exploitable interest among the strollers. "I am trying to see how many cars I could sell here. Until now, it hasn't been so bad."

Indeed, Martin's short career has been a crash course in the perils and intricacies of the free market. Not the least of his challenges, he already has had to solve a complicated problem involving the effects of demand and supply on price.

"Since Germany unified, prices of used German cars have

see CZECH CARS, page 18

Car design on menu of World Congress Gala dinner

DETROIT — Two of the industry's top design executives, one from the old world and one from the new, will speak at the Tuesday Evening Gala dinner during the Automotive News World Congress next week.

Europe's Wolfgang Reitzle, management board member and head of the Development Division at BMW AG, and America's Fred C. "Fritz" Mayhew, chief design executive of North American Design at Ford Motor Co., will offer their respective views on the state of car design.

Reitzle

Mayhew

Reitzle's speech, "BMW's Research and Development — Creating Products with Individuality and Global Relevance," will provide insight into the stainless-steel world of European design.

Mayhew's speech, "Playing to Win," will discuss the guts-and-bolts tactics of aggressive American design teams.

The two are well-qualified. Reitzle has enjoyed rapid success since he joined BMW AG in 1976 as a production specialist out of Munich Technical University, and Mayhew is setting the stage at Ford for a strong design showing in an increasingly competitive world market.

Tickets to the dinner are included with full registration to the Automotive News World Congress or may be obtained separately.

The Automotive News World Congress will run from Sunday, Jan. 13 through Wednesday morning, Jan. 16 at the Westin Hotel in Detroit.

To register for the dinner or the entire Automotive News World Congress, call the registration office at (313) 764-5592.

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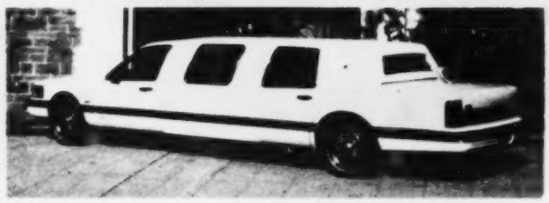

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Country	Trade	Sept. 1989	Sept. 1990	Annualized trade Oct. 1988-Sept. 1989	Annualized trade Oct. 1989-Sept. 1990
Japan	from U.S.	$ 9,755	$ 54,332	$ 305,386	$ 534,696
	to U.S.	1,583,404	1,407,681	20,773,299	19,092,410
Canada	from U.S.	539,466	446,047	6,107,441	6,347,441
	to U.S.	1,027,774	1,045,168	12,912,752	13,488,599
West Germany	to U.S.	314,568	218,413	5,603,976	5,645,549
South Korea	to U.S.	64,181	70,798	1,875,756	1,077,010
Sweden	to U.S.	89,461	80,057	1,748,958	1,566,091
Mexico	to U.S.	51,300	282,367	1,317,068	1,616,375
Yugoslavia	to U.S.	0	1,667	14,798	5,558
United Kingdom	to U.S.	65,470	57,275	960,735	865,898
Italy	to U.S.	12,316	14,393	246,142	266,689
France	to U.S.	1,315	4,291	87,971	18,718
Brazil	to U.S.	19,512	0	268,229	113,929
Others	from U.S.	83,467	79,138	2,200,555	2,658,937
	to U.S.	25,561	49,934	390,597	567,645
Car and truck total	from U.S.	837,803	683,579	10,514,429	11,146,941
	to U.S.	3,882,703	3,939,366	53,902,596	52,246,603
VEHICLE TRADE BALANCE		(3,044,900)	(3,255,787)	(43,388,167)	(41,099,662)
Car total	from U.S.	532,688	579,518	8,613,382	9,540,922
	to U.S.	4,963	3,295,145	45,900,281	44,324,471
CAR TRADE BALANCE		(2,622,275)	(2,715,627)	(37,286,899)	(34,783,549)
Truck total	from U.S.	205,115	104,061	1,901,047	1,606,019
	to U.S.	627,740	643,848	8,002,315	7,922,132
TRUCK TRADE BALANCE		(422,625)	(539,787)	(6,101,268)	(6,316,113)
TOTAL U.S. Merchandise trade	from U.S.	30,128,600	31,840,000	355,636,700	385,096,100
	to U.S.	38,897,300	41,253,900	467,670,700	486,304,100
TRADE BALANCE		(8,768,700)	(9,413,900)	(112,034,000)	(101,206,000)

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Automotive trade deficit grows 7% in September

WASHINGTON — The U.S. automotive trade deficit in passenger cars and light trucks widened 6.9 percent in September due largely to a drop in exports to Canada and an overall increase in imports.

Statistics released by the U.S. International Trade Commission show the automotive trade deficit was $3.26 billion in September, compared with $3.04 billion a year earlier.

Imported vehicles were valued at $3.94 billion for the month, while the value of exports was $684 million.

The value of exports to Canada fell 17.3 percent in September. Because Canada is the largest market for U.S.-built vehicles, that drop far outpaced the increase in the value of exports to Japan, which was 5½ times that of September 1989.

Japan remains a relatively small market for U.S.-manufactured vehicles.

The value of automotive shipments to countries designated as "others" by the U.S. Commerce Department fell 5.2 percent in September.

Increases in the value of imports came from Canada, 1.7 percent; South Korea, 10.3 percent; Italy, 17.7 percent; France, 226 percent; Mexico, 450 percent; and "others," 95 percent.

In September 1989, Ford's U.S. export plant in Hermosillo, Mexico, was closed.

It now builds Escorts and Tracers for the U.S. market.

The value of imports from Germany fell 30.6 percent, while imports from Japan were down 11.1 percent. The value of imports from Sweden declined 10.5 percent in September.

It dropped 12.5 percent from the United Kingdom.

For the 12-month period ended in September, the nation's annualized automotive trade deficit fell to $41.1 billion, an improvement of 5.3 percent.

OBITUARIES

Zollie S. Frank

CHICAGO — Zollie S. Frank, owner of the Z Frank Auto Dealership Group (Chevrolet-Hyundai-Oldsmobile-Subaru) in Chicago, died Dec. 29. He was 83.

Frank opened his first Chevrolet dealership in 1936 and is considered a founding father of the automobile leasing industry. His leasing company, Wheels Inc., has a fleet of 90,000 vehicles.

Henry S. Clime

NEW BRITAIN, Pa. — Henry S. Clime, owner of the former North Penn Lincoln-Mercury in Lansdale, Pa., died Dec. 28. He was 78.

O.H. Coffman

WARSAW, Ky. — O.H. "Monte" Coffman, former president of the automotive aftermarket company Dorman Products in Warsaw, died Dec. 14. He was 77.

Robert A. Liedholm

LAGUNA NIGUEL, Calif. — Robert A. Liedholm, a field parts specialist for Volvo Cars of North America in Los Angeles, died Dec. 12. Liedholm, 49, had worked for Volvo for 20 years.